

**STATEMENT OF GREGORY H. FRIEDMAN  
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**BEFORE THE  
U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON ENERGY AND COMMERCE  
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

**FOR RELEASE ON DELIVERY  
Wednesday, September 28, 2005  
10:00 a.m.**

Good morning Mr. Chairman and members of the Subcommittee. As the Department of Energy's Inspector General and as Vice Chair of the President's Council on Integrity and Efficiency, I am pleased to be here today at your request to discuss Inspector General plans to guard against waste, fraud and abuse in the post-Katrina relief and recovery efforts. The impact Katrina has had on the citizens and businesses in the Gulf States and in other communities has been nothing short of catastrophic. The goal of the Inspector General community is to aid in the effort to ensure that funds appropriated for Hurricane Katrina relief efforts are spent properly and effectively. It is imperative that the \$63 billion appropriated for the immediate relief effort, as well as all future special and other direct funding, is used for its intended purpose; that is, to assist the affected citizens and businesses in recovering from this tragedy.

Several months ago, in my role as Vice Chair of the President's Council on Integrity and Efficiency, I established a special working group to address homeland security audit and investigative issues. This working group's efforts impact programs and operations at nearly every Federal agency. I asked Rick Skinner, the Inspector General of the Department of Homeland Security, to head the group. On August 29, 2005, a major challenge for this working group became evident with the devastation associated with Hurricane Katrina. Under Rick's leadership, the IG community has mobilized, and is providing on-the-ground, proactive support in overseeing the billions of dollars appropriated for Katrina relief. The working group has implemented a comprehensive community-wide plan which identifies specific risks and control weaknesses of various programs and operations. In carrying out the plan, the IG community is reviewing the

award and administration of contracts and grants; operating a Katrina OIG Hotline; and, aggressively addressing allegations of wrongdoing.

In addition to the working group, within days of Hurricane Katrina, many IG special agents, auditors, and inspectors volunteered to assist with relief activities. Further, PCIE members, in efforts related to the specific missions of their own agencies, are aggressively working audit and investigative issues arising from Katrina.

As has been widely recognized, the massive Federal Katrina aid package may attract those inclined to abuse the system and defraud the U.S. taxpayers. Based on my experience, prevention is the key to minimizing fraud and misuse. Thus, it is important that agency management establish effective controls and procedures for expenditures relating to hurricane relief. We are working with each agency to foster a culture of accountability and responsibility. These challenges primarily reside with agency senior management, including those responsible for agency budget, planning, procurement and program management functions.

The Inspectors General play a critical role in the process of identifying vulnerabilities in government programs and operations; recommending needed management improvements; and, bringing to justice those attempting to defraud the Federal Government. In working toward these goals, specifically as they relate to Katrina, we are collaborating with auditors and law enforcement agencies at all levels of government to achieve common objectives.

Regarding the Department of Energy, the Department has a significant role to play in disaster relief relating to the restoration of damaged energy systems as a part of the National Response Plan, Emergency Support Function 12. My office has implemented an audit plan to review this effort. Consistent with Emergency Support Function 12, we are in the process of examining the Department's actions related to:

- Collecting, assessing, and providing information on energy supply, demand and prices; and,
- Identifying supporting resources needed to restore energy systems.

In addition, the Department has announced actions to make oil available from the Strategic Petroleum Reserve, which contains approximately 695 million barrels of oil and serves as the Nation's first line of defense against an interruption of petroleum supplies. We have initiated an audit of the Strategic Petroleum Reserve sales and exchange program which was designed, in the current environment, to ensure that refineries have the petroleum they need to keep gasoline and diesel fuel flowing to American consumers. Other audits, inspections and investigative efforts will be undertaken as needed.

In my role as Vice Chair of the President's Council on Integrity and Efficiency, let me emphasize that the Federal Inspector General community is committed to doing its utmost to ensure that the national interests and those of Katrina's victims are well-served.

Mr. Chairman and members of the Subcommittee, this concludes my statement. I will be pleased to answer any questions.